

**Office of Mineral Resources
Cash Management Policies & Procedures**

**DEPARTMENT OF NATURAL RESOURCES
OFFICE OF MINERAL RESOURCES
CASH MANAGEMENT POLICIES AND PROCEDURES**

The Office of Mineral Resources receives about 7,000 leasehold, royalty and self-generated payments per year totaling in excess of \$250,000,000. Following are the procedures by which these payments are handled.

Receipt of checks and cash

Mail Receipt -

Mail intended for the Office of Mineral Resources, is picked up by Administrative Division personnel daily at the downtown Post Office in Baton Rouge. This includes checks for royalty, leasehold payments and self generated funds. Checks received by federal express are processed in the same manner. After the mail is received in the office, it is opened by the Administrative Specialist.

1. All documents and check stubs (copy of check if stub is not attached) are date stamped in the Administrative Division.
2. Checks and their supporting documentation are sorted into two categories-
 - a) General Fund monies (royalty, rentals, deferred development, interest and In-Lieu royalty payments)
 - b) Self Generated funds (Fees and Penalties)
 - 1) checks are coded as to self generated category by the OMR Accountant III
 - 2) two copies of checks are made (one attached to original and one attached to supporting documentation)
3. The OMR Accountant takes the self generated checks for further processing. General fund checks are forwarded to the Mineral Income Division for further processing.

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Receipt of checks and cash

Walk-in Receipt -

Self-generated monies are received from customers that hand carry checks/cash to the OMR office. These monies include check(s) for 10% of cash payment for new leases, Nomination fees, Proof of Publication, copies, faxes, etc. Additionally, general fund money is

received at the monthly Mineral Lease Sales through the opening of lease bids which include checks representing Cash Payments (Bonuses) for awarded leases, and occasionally, checks are hand delivered to the Office. The procedures for handling these checks/cash are as follows:

General Fund Monies -

Upon receipt, checks are date stamped, a transmittal is prepared, and both are taken to the Mineral Income Division for further processing.

Self Generated Monies -

1. When services are rendered, a customer invoice is generated through the SONRIS Accounts Receivable system. The invoice includes:
 - a. Revenue Category Code
 - b. Invoice Number
 - c. Invoice Date
 - d. Customer Name and Address
 - e. Description, Quantity and Unit Cost of Product
 - f. Invoice Total
2. Upon payment, two copies of each check(s) are made. The check(s), a copy of the check(s), and the invoice or invoice report (if multiple invoices are included) are sent to the OMR Accountant to be used in the preparation of a transmittal.

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Receipt of checks and cash

Walk-in Receipt -

Self Generated Monies -

3. The check(s) and copies are date stamped in the Administrative Division.
4. One copy of the check will be kept in the Administrative Division for record keeping and the second copy of the check will be returned to the appropriate section to be kept with the original supporting documentation.
5. By 3:30 p.m. each day, all checks/cash and invoices are to be taken to the Mineral Income Division to be locked in the safe until deposit the next business day.
6. Cash is sometimes received for photocopies. At those times an invoice is prepared.

The invoice and the cash are immediately taken to the OMR Accountant who prepares a transmittal. The OMR Accountant takes the copy of the transmittal with the cash to DNR accounting for deposit.

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Processing of funds

Self Generated Funds -

1. The backs of all checks are stamped with a Department of Natural Resources endorsement.
2. Invoices # and payments for self generated checks received in the mail are recorded into the SONRIS Accounts Receivable system by the OMR Accountant. The invoice includes:
 - a. Revenue Category Code
 - c. Invoice Number
 - d. Invoice Date
 - e. Customer Name and Address
 - f. Description, Quantity and Unit Cost of Product
 - g. Invoice Total
 - h. Receipt Date
 - i. Payment Type (check or cash)
 - j. Payment Amount
 - k. Check Date and Number

An Accounts Receivable transmittal is generated for delivery to DNR Accounting. An adding machine tape is also generated to total all checks.

- I. Checks received each day by 10:00 a.m. are included in that day's deposit. The checks,

a SONRIS transmittal and the adding machine tape are delivered to DNR Accounting, prior to 11:00 a.m. The DNR Accounting group then prepares the deposit for that day. Checks received after 10:00 a.m. are put in the Mineral Income Division safe for the next working day's deposit.

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Processing of funds

General Fund Monies -

1. In the Mineral Income Division all general fund checks are copied and the copy is attached to the supporting documentation for distribution. The backs of all checks are then stamped with a Department of Natural Resources endorsement.
2. General Fund monies are recorded on the SONRIS Cash Receipts screen and a transmittal is then generated. The transmittal contains the receipt date, payor name, payor number, check amount, check number or wire reference number, check date and a payment code (payment codes are used to classify revenue sources). An adding machine tape is also generated to total all checks.
3. Checks received each day by 10:00 a.m. are included in that day's deposit. The checks, a SONRIS transmittal and the adding machine tape are delivered to DNR Accounting, prior to 11:00 a.m. The DNR Accounting group then prepares the deposit for that day. Checks received after 10:00 a.m. are put in the Mineral Income Division safe for the next working day's deposit.
4. By 3:30 p.m. each day, all checks are to be taken to the Mineral Income Division to be locked in safe until deposit the next business day.
5. Leasehold payment documentation is routed to the Lease Ownership section of OMR to be checked for timeliness and accuracy. A copy of the check(s) and check stub(s) is attached to the detail.
6. Royalty reports (copy of check attached) are sorted by payor and delivered to the Mineral Income Audit group.
7. Wire Transfers -The Office of Mineral Resources receives about 900

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Processing of funds*General Fund Monies -*

Federal Reserve wire transfers per year. The wire transfer payments go directly to the OMR account (the balance of this account is transferred to the State's main account each night). The wire transfer information is retrieved by Modem from the bank and is recorded daily on the SONRIS cash receipts transmittal. Approximately five companies send wires by ACH (Account Clearing House). These are bank to bank wire transfers which are sent to the Treasurer's Office which in turn sends OMR a copy of the banks notice. These amounts are also posted to a SONRIS cash receipts transmittal. Detail for these payments are forwarded to the audit group as it arrives in the office. There is a wire reference number assigned for the wire transfers.

Cash Management Policies and ProceduresProcessing of funds*Adjustment of Invoices (Self Generated Monies) -*

Invoices from time to time may be adjusted (reduced or written off totally) for certain penalties/fees waived in part or in whole by the State Mineral Board or the Secretary of DNR. In those cases, a memo explaining the adjustment signed by either the Deputy Assistant Secretary or the Assistant Secretary must be presented to the OMR

Accountant. Only the OMR Accountant is authorized to adjust OMR invoices in the SONRIS Accounts Receivable system.

Refunds (both General Fund and Self Generated Monies) -

If a refund is necessary, the documentation is prepared by the requesting group. The Director of Mineral Income reviews this for approval. A memo, signed by either the Director of Mineral Income, Deputy Assistant Secretary, or Assistant Secretary is then sent to DNR accounting requesting the appropriate check. After the check is issued a negative entry is made in the SONRIS Cash Receipts (general fund) system or the SONRIS Accounts Receivable (self generated) system.

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Leasehold Payment Procedures

1. Leasehold payments are received by the Mineral Income Division. Prior to deposit, a review of these payments is made to determine if the payment was made timely. Rental payments received by this office are verified for correctness by the Land Division. The Deferred Development payments are verified by the Legal Section and the correct amount for Shut-in payments is verified by the Engineering Section.
2. Copies of the checks, check stubs, and any other miscellaneous documentation received with the leasehold payments are transmitted to the appropriate Division/Section.
3. Upon receipt of the lease hold payment documentation , all payments are entered on the SONRIS cash receipts transmittal. Leasehold Payments are also updated in the Lease Data file on the SONRIS System.
4. An acknowledgment letter is prepared for each Leasehold Payment received. The original is mailed to the lessee, a copy is forwarded to the lease records section of Mineral Resources, and a copy is retained for the lease files in the Lease Ownership/Property section of Mineral Resources. Leasehold payments are also recorded in the lease folder in the Lease Ownership/Property files.
3. After Leasehold payments are processed in SONRIS, a copy of the cash transmittal, copies of the checks, check stubs, and other miscellaneous payment documentation are delivered to the Lease Ownership Section in the Land Division. Upon review, detail for each leasehold payment is entered via the Non-Royalty Payment Screen. The detail includes the date received, lease number, revenue source, payor code, payment amount, and due date. Copies of the original payment documentation are sent to the Lease Records Section and The State Land office.

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Royalty Payment Procedures

1. Royalty payments are received by the Mineral Income Division. All payments (checks and wire transfers) are entered in the SONRIS system via the cash receipts screen and a transmittal is prepared for submission to DNR Accounting.
2. The State Royalty reports (copy of check(s) or wire reference number attached) are sorted by payor and delivered to the Mineral Income Audit group along with a copy of the Cash Receipts transmittal.
3. The State Royalty reports are distributed to auditors who prepare the reports for entry into the SONRIS system.
4. The SONRIS system maintains a running balance of cash (checks/wire transfers) vs detail (State Royalty reports) entered in the system.
5. The Mineral Income Audit group (each auditor, individually, for a certain number of payors) is responsible for reviewing the Payor Cash Out of Balance report and clearing through requests for additional payment/refunds any payors out of balance.

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Types of General Fund Monies

Royalties (Revenue Source 90) - Royalty is the largest source of general fund monies and is attributable to production from State Mineral Leases. The royalty is a percentage of the value

from sales of products (oil, gas, plants liquids, salt, sulphur) produced from State land and waterbottoms under a State Mineral Lease.

Cash Payments (Revenue Source 50) - A cash payment is the initial payment for a State Mineral Lease and holds the lease for the first year of the primary term. The cash payment must be remitted with the bid form that a company submits when bidding on a State Mineral Lease.

Rentals (Revenue Source 10) - Rentals are payments (at least one half of the cash payment) which are made during the primary term of a lease to hold the lease when the lessee has not begun the drilling of a well or established production.

Deferred Development (Revenue Source 20) - A deferred development is submitted when a lessee wishes to hold non-productive acreage (acreage that is outside a producing unit) on a State Mineral Lease during the primary term of the lease and for a maximum of two years after the primary term.

In-Lieu or Shut-in Royalty (Revenue Source 40) - In-lieu royalty payments are made when a gas well, certified as commercially productive, is shut in due to lack of a market or the means to get the product to market. The State Mineral Lease allows the lessee to make these payments for a specified period until the product can be marketed. These payments are in-lieu of production.

Interest and Penalty (Revenue Source 65) - Interest and penalty are the result of billings by the Mineral Income Division for the late payment of royalties by a payor company. These billings are issued when a company submits royalties past the deadline date(s) or as a result of an audit conducted by the Mineral

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Types of General Fund Monies

Income Division where a company is assessed for nonpayment or underpayment of royalties.

Miscellaneous Revenue (Revenue Source 60) - This category can cover various types of general fund monies. It is currently used to classify liquidated damages arising from the State Mineral Lease when the lessee fails to drill a well that it is obligated to drill.

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Types of Self-generated Funds

Reproduction Fees (SG1) - A fee of \$1.00 per page for all items faxed and a fee of \$0.25 per page copied or printed by the Office of Mineral Resources upon request by the public, is charged to cover the actual cost of faxing and copying material.

Seismic Permits (SG2) - Permit for surveying based on \$11,000 per nine square miles (\$2.00 per acre times the total number of state owned acres included in the seismic project for the issuance of a seismic permit). Approved by OMR - Geological and Engineering. Collected by Executive Secretary of the Office of Mineral Resources.

Notice of Publication Subscription (SG3) - A fee of \$120.00 per subscription for a person or entity, upon request, to receive, in advance of the sale, the monthly mineral notice book of tracts coming up each month for lease sale for a period of one year. The fee covers the cost of compiling, binding, and postage incurred by the Office of Mineral Resources. This fee is collected by Administrative Specialist of the Office of Mineral Resources.

Bonuses (Largest portion of self-generated funds) (SG4) - Cash Payments for new leases equal to 10% of the cash payment to be submitted no later than 10 days after acceptance of bid and awarding of the lease. This fee is collected by Leasing Section, Petroleum Lands Division.

Assignments (SG5) - A \$100 fee for processing docketed items, such as assignments. This

does not include advertised docketed items. This fee is collected by the Lease Record Section of the Petroleum Lands Division.

Advertised Items (SG6) - A \$500 fee for processing advertised docketed items, such as unitization agreements. This fee is collected by the Lease Record Section of the Petroleum Lands Division.

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Penalty for late assignment filings (SG7a) - \$100 per day up to a maximum of \$1,000 Penalty assessed on mineral lessees for failure to timely submit assignments affecting Louisiana state leases and covers the cost of tracking, notifying assignor of, and collecting the penalty. This fee is collected by OMR Administration.

Penalty for Delinquent Releases (SG7e) - \$100 per day for every day beyond 90 days from lease termination until a release of the terminated lease is recorded in all parishes in which the original lease was recorded. - no maximum) Penalty charge on mineral lessees for failure to release mineral leases back to the state on a timely basis. This fee is collected by OMR Administration.

Unleased Acreage (SG7b) - State owned tracts that are unleased and participate 100% in revenue and cost from a producing unit. This revenue is reported on State Royalty reports and is allocated to self-generated funds by the SONRIS system.

Penalty for late royalty reporting (SG7c) - A 10% penalty of the total sum due not to exceed \$1,000 is imposed for the late reporting of state royalty reports. This amount is billed by the audit section of the Mineral Income Division under separate letter.

Penalty for incorrect royalty reporting errors (SG7d) - A 5% penalty not to exceed \$500 of the total sum due or paid is imposed for reporting errors from state royalty reports which accompanies the payment of royalties due the state. This amount is billed by the audit section of the Mineral Income Division under separate letter.

Recoupments Fees (SG8) - (\$35 per hour) Companies which overpay royalties are entitled to recoup the amount of their overpayment. However, the Office of Mineral Resources bills the respective company for its time in recalculating and verifying the amount of the recoupment. This amount is billed by the audit

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section of the Mineral Income Division under separate letter.

Lease Nomination Fees (SG9)- A company can request that a specific tract(s) of state owned lands be made available for mineral lease .A non-refundable fee of \$200 is charged to cover the cost of advertising. This fee is collected by Leasing Section, Petroleum Lands Division.

G-5 Maps (SG12) - Maps are produced by the OMR leasing Section pertaining to areas north of the 31st parallel and areas south of the 31st parallel. These maps are reproduced and sold by the leasing section for \$10.00 and \$20.00 respectively. This fee is collected by Leasing Section, Petroleum Lands Division.

Exclusive Geophysical Agreement (NEW) - Fee of the price per acre bid times the total number of state owned acres included in the seismic project for the granting and cost of administering an exclusive geophysical agreement. Approved by State Mineral Board. Collected at Mineral Lease Sale.

Operating Agreements (NEW) - Fee covering the cost of administering operating agreements authorized by statute on a cost risk basis which would equal to 25% of the value (as determined by the sale of said production) of that portion production returned to the State under the said operating agreements. Approved by Jack C. Caldwell, Secretary. Collected by OMR Administrative.

Certification of Copies of Original Documents () - Fee of \$1.00 per page for certification that the document copies requested by and furnished to the public are true and correct copies of the original documents located at the Office of Mineral Resources.